Ontario. Hydro-Electric Inquiry Commission, 1922-1924

HYDRO ELECTRIC INQUIRY COMMISSION

(HYDRO-ELECTRIC POWER COMMISSION OF ONTARIO)

Report on investigation of accounts

REPORT ON INVESTIGATION OF ACCOUNTS OF THE SANDWICH, WINDSOR AND AMHERSTBURG RAILWAY

Price, Waterhouse & Co.
ROYAL BANK BUILDING
TORONTO, ONT., CANADA

PRICE, WATERHOUSE & CO.
CANADA. UNITED STATES. MEXICO.
GREAT BRITAIN.

CONTINENTAL EUROPE, ETC.
PRICE, WATERHOUSE, PEAT & CO.
SOUTH AMERICA
PRICE, WATERHOUSE, FALLER & CO.
ALSO, GREAT BRITAIN
W. B. PEAT & CO.

ROYAL BANK BUILDING
TORONTO

January 3rd, 1922

W. D. Gregory, Esq., Chairman,
Hydro-Electric Inquiry Commission,
Toronto, Ontario.

Dear Sir:

SANDWICH, WINDSOR & AMHERSTBURG RAILWAY
AND THE
WINDSOR AND TECUMSEH ELECTRIC RAILWAY
COMPANY

As requested we have made a general investigation of the accounts and records of the above railways, and now beg to submit our report thereon:

SCOPE OF INVESTIGATION

Our investigation of the accounts of the Sandwich, Windsor & Amherstburg Railway and its subsidiary, the Windsor & Tecumseh Electric Railway Company, has been confined to a general review thereof and to the consideration of such questions of accounting principle as came to our attention, any extended audit being thought unnecessary for your purpose as Mr. G. T. Clarkson, F. C. A., has audited the accounts of these railways from April 1, 1921 (the date on which the railways were acquired by the Hydro-Electric Power Commission of Ontario) to October 31, 1921. From the books and records kept in respect of the assets and liabilities of the railways, we have prepared and submit herewith the following Exhibits:

Exhibit	1	Comparative Consolidated Balance Sheets as at April 1, 1920, October 31, 1920 and October 31, 1921.
"	11	Statement showing the basis of the Annual Rate of 3.3% for Reserve for Renewals
"	111	Operating Account for the period of one year and seven months ending October 31, 1921 supported by subsidiary statements, Exhibits 111a and 111b

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Exhibit IV Operating Account by months for the period of eleven months ending September 30, 1922

" V Excerpts from agreement dated January 1, 1920, entered into between the Hydro-Electric Power Commission of Ontario and the various Municipalities interested in the Railway

HISTORY AND ORGANIZATION

EVENTS LEADING UP TO THE ACQUISITION OF THE SANDWICH, WINDSOR & AMHERSTBURG RAILWAY BY THE HYDRO-ELECTRIC POWER COMMISSION OF ONTARIO -

The Municipal Councils of the Township of Anderdon, the Towns of Sandwich, Ford City, Walkerville, Amherstburg and the City of Windsor, passed resolutions similar to the following, quoted as an example -

"1. That the Council of the Town of Walkerville has considered the advisability of the joint municipal ownership by purchase from the private company of the Sandwich, Windsor & Amherstburg Railway including its several branches in Windsor and its lines extending on the South West to Amherstburg, and on the East to Tecumseh, and the management and operation of such railway in all its parts by the Hydro-Electric Commission of Ontario

2. It is the belief of the Council of your petitioner that all the municipalities, both urban and rural to which the said Railway or any part thereof, extends, would be greatly benefited if the control and management of the said railway system were undertaken by the said Commission.

Therefore, your petitioners press that your Honourable Body may, in the event of municipal ownership being accomplished, favorably consider the matter of taking over the management of the said railway as soon as it may be deemed advisable and that for that purpose such present and future action may by your Commission be taken as may be necessary for the said purpose."

On April 17, 1919, representatives from the aforementioned municipalities, together with those from the Townships of Sandwich East and Sandwich West and the Town of Ojibway, assembled at Windsor and passed the following resolution -

"That the Ontario Hydro Electric Power Commission be

requested to make an investigation and valuation of the present lines of the Sandwich, Windsor & Amherstburg Railway and to negotiate with the said Company as to the purchase and to make an estimate of the probable earnings and expenses of the said line under the present condition and under improved conditions."

Resolutions of each of the municipalities concerned were thereupon forwarded to the Hydro-Electric Power Commission of Ontario which, together with an Order-in-Council, passed under the date of August 31, 1916, formed the necessary authority for the Commission to proceed with the investigation requested. A report on the Railways and a tentative Purchase Agreement were submitted to the representatives of the municipalities in the early fall of 1919 and the said representatives passed a resolution requesting the Hydro-Electric Power Commission to prepare a formal Purchase Agreement, and requesting the Municipal Councils of each of the municipalities to submit the proposition to the electors.

In accordance with section 4(4) of the Hydro-Electric Railway Act of 1914, the Province sanctioned the purchase of the Railway by passing the following Order-in-Council under date of September 16, 1919 -

"Upon the recommendation of the Honourable the Attorney General, the Committee of Council advises that pursuant to the provisions of sub-section 4, section 4, of the Hydro-Electric Railway Act of 1914, as amended, your Honour do so sanction and approve of the terms of the Company's agreement to be entered into by the Hydro-Electric Power Commission and the following Municipal Corporations:

(1) The Township of Sandwich East, (2) Township of Sandwich West, (3) Town of Anderdon (4) Town of Ford City (5) Town of Walkerville (6) Town of Sandwich (7) Town of Ojibway (8) Town of Amherstburg (9) City of Windsor

A draft of the final agreement was thereupon submitted to the Municipal Councils and on December 6, 1919, By-laws were submitted to the electors of the municipalities authorizing the Municipal Councils to enter into the agreement with the Hydro-Electric Power Commission.

These elections resulted in the passing of all the By-laws except the one submitted to the electors in the municipality of Anderdon. Notwithstanding the failure of the municipality of Anderdon to pass the necessary By-law to become a party to the agreement, the Municipal Councils under authority of Section 12 (1) of the Hydro-Electric Railway Act of 1914, and amendments thereto passed resolutions to carry out the agreement which was duly executed, and under date of January 27, 1920, the Province passed the following Order-in-Council, authorizing the Provincial Treasurer to guarantee the necessary bonds:

"Upon the recommendation of the Honourable the Attorney-General, the Committee of Council advise that in accordance with the requisition of the Hydro-Electric Power Commission of Ontario and pursuant to the Hydro-Electric Railway Act 1914, and amendments thereto, the Hydro-Electric Power Commission of Ontario be authorized to proceed with the acquisition, construction, equipment and operation of certain Electric Railway Lines in the County of Essex, which said lines are particularly described in certain agreements entered into between the Hydro-Electric Power Commission of Ontario and the Municipal Corporation of the Township of Sandwich East, the Municipal Corporation of the Township of Sandwich West, the Municipal Corporation of the Town of Ford City, the Municipal Corporation of the Town of Walkerville, the Municipal Corporation of the Town of Sandwich, the Municipal Corporation of the Town of Ojibway, the Municipal Corporation of the Town of Amherstburg and the Municipal Corporation of the City of Windsor, which said agreements were sanctioned and approved by Order-in-Council dated the 16th day of October A.D. 1919, and to issue bonds from time to time for the amount required for such undertakings.

The Committee further advises that the Treasurer of Ontario be authorized for and on behalf of the Province to guarantee the payment of the bonds so issued by the Commission.

And the Committee further advises that Charles Hood Sproule, Assistant Treasurer of Ontario be designated as the officer to sign the said guaranty on each of the above mentioned bonds on behalf of the Province of Ontario and that the form of such guaranty shall be as follows:

"By virtue of power conferred by the legislature of the Province of Ontario, Canada, the Province of Ontario hereby guarantees to the holder of the within bond for the time being, and to the holder for the time being of any of the coupons attached thereto, due payment of the principal of the within bonds and of the interest

$2,100,000 Bonds 40 yr 4½%

thereon according to the tenor of the said bond and of the coupons attached thereto."

The foregoing Order-in-Council passed January 27, 1920, was amended as follows, under date of April 27, 1921:

The Committee of Council have had under consideration the report of the Honourable the Provincial Treasurer, dated 26th April, 1921, wherein he states that by Order-in-Council passed 27th January A.D. 1920, pursuant to the Hydro-Electric Railway Act, 1914 and amendments thereto, the Hydro-Electric Power Commission of Ontario was authorized to proceed with the acquisition, construction and operation of certain electric railway lines in the County of Essex and certain agreements between the said Commission and the various Municipal Corporations therein mentioned were sanctioned and approved and the Commission was authorized to issue bonds for the amount required for such undertaking and the Treasurer of Ontario was authorized for and on behalf of the Province to guarantee the payment of the bonds so issued by the Commission and whereas the Electric Railway lines in the County of Essex mentioned in said Order-in-Council are the electric railway lines acquired by the Commission from Detroit United Railway under agreement dated 14th January 1920, copy of which is set out in Schedule "C" to the Hydro-Electric Railway Act, 1920, and whereas the Commission has issued its bonds to the amount of $2,100,000.00 dated 1st April 1920, payable 1st April 1960, and bearing interest at the rate of 4½% per annum half yearly of which $2,039,000.00 have been delivered pursuant to the said agreement of the 14th January, 1920, and whereas it is desirable to declare that the said bonds were duly issued and guaranteed by the Province of Ontario under the said Order-in-Council of the 27th January, 1920.

The Provincial Treasurer recommends that the bonds of the Hydro-Electric Power Commission of Ontario to the amount of $2,100,000.00 dated 1st April 1920, payable 1st April 1960, and bearing interest at the rate of 4½% per annum, half yearly are the bonds mentioned in and authorized to be issued by said Order-in-Council of the 27th day of January, 1920, and the guarantee by the Province of Ontario of the payment of the principal and interest of the said bonds, is hereby confirmed.

The Committee concur in the recommendation of the Honourable the Provincial Treasurer, and advise that the same be acted on."

HISTORY OF THE SANDWICH, WINDSOR & AMHERSTBURG RAILWAY PRIOR TO THE DATE OF ACQUISITION BY THE HYDRO-ELECTRIC POWER COMMISSION OF ONTARIO.

The Sandwich & Windsor Passenger Railway Company was incorporated on or about March 2, 1872, and the company was author-

ized to construct and operate a line of railway from Sandwich to Windsor extending to Walkerville, and by an amended Act dated April 23, 1887, the name of the Company was changed to the Sandwich, Windsor & Amherstburg Railway, with authority to extend the Railway to the Town of Amherstburg. On December 30, 1893, this Company purchased all the property, assets, rights and franchises of the Peo les Electric Company of Windsor, Limited, incorporated on March 4, 1893, and on March 21, 1894, the City Railway Company, incorporated April 18, 1893, leased its track, etc. to the Sandwich, Windsor & Amherstburg Railway, and on June 20, 1904 the City Railway Company conveyed to the Sandwich, Windsor & Amherstburg Railway all its rights, franchises and property.

The Windsor & Tecumseh Electric Railway was incorporated on or about December 23, 1903, and acquired the franchises and other rights of the Ontario Traction Company, Limited. On October 17, 1906, the property of the Windsor & Tecumseh Electric Railway Company was acquired by the Sandwich, Windsor & Amherstburg Railway, then owned by the Detroit United Railway. It will, therefore, be seen from the foregoing that the Sandwich, Windsor & Amherstburg Ry. held title to all the property acquired by the Hydro-Electric Power Commission, either directly or through the ownership of capital stock.

ROUTES ON RAILWAY

The railway comprises two divisions one of which is operated as the Sandwich, Windsor & Amherstburg Railway and the other as the Windsor & Tecumseh Electric Railway. The Sandwich, Windsor & Amherstburg Railway starting at Windsor, with a short line extending east to Walkerville, runs south a distance of 17.7

miles through the Town of Sandwich, the Township of Sandwich West, the Village of Ojibway, the Township of Anderdon and the Town of Amherstburg, the southern terminus of the Railway. This division also includes certain lines operated in the City of Windsor and the Town of Walkerville.

The Windsor & Tecumseh Electric Railway starting at Windsor extends easterly a distance of 9.72 miles through the Town of Walkerville, Ford City, Town of Riverside, Township of Sandwich East to the Village of Tecumseh, the eastern terminus of the Railway System.

In connection with the operations of the Railway System, the Commission put trackless trolley lines into operation on Lincoln Road in the Town of Walkerville on May 4, 1922, and in the City of Windsor on August 3, 1922.

We have been informed by the Superintendent of the Railway that no changes have been made in the main routes of the Railway since it has been under the management of the Commission, however, certain changes have been made in respect of the routing of cars.

TERMS AND CONDITIONS OF PURCHASE

Under authority conferred by the Hydro-Electric Railway Act of 1914, and on behalf of the Municipal Corporations of the Township of Sandwich East, the Town of Ford City, the Town of Walkerville, the Town of Sandwich, the Town of Ojibway, the Town of Amherstburg and the City of Windsor, the Hydro-Electric Power Commission purchased from the Detroit United Railway the Sandwich, Windsor & Amherstburg Railway and its subsidiary the Windsor & Tecumseh Electric Railway for $2,035,000. The Purchase Agreement provided for conveyance of the following property which was taken over by the Commission on April 1, 1920:

1. All freehold and leasehold lands, easements, and interest in lands.

2. All plant, machinery, rolling stock, works, buildings, fixtures, equipment, apparatus, furniture, stock-in-trade, stores, goods, chattels and effects other than supplies as hereinafter defined.

3. All franchises, patents, licenses and agreements and rights, and all documents including deeds, contracts, books of account, plans, records and specifications.

4. All the outstanding shares of the capital stock of each of the said Companies fully paid up, and all shares and other securities in any subsidiary Company belonging to the Companies or either of them.

5. All other properties to which the said Companies or either of them are or is entitled in connection with its business except cash, promissory notes, book accounts and other bills, or accounts receivable, as of the date of completion hereinafter mentioned.

The assets and other properties of the Railway Companies were taken over free from all encumbrances with the exception of the following:

1. Trust Mortgage by the Sandwich, Windsor & Amherstburg Railway Company, dated December 1, 1902, to the National Trust Company, Limited, to secure the payment of bonds to the amount of $600,000. all of which were issued and outstanding at date of purchase by the Commission, having attached thereto interest coupons at the rate of 4½% per annum payable on the first days of June and December in each year during the currency of said bonds. These bonds become due on December 1, 1922.

2. The Trust Mortgage by the Windsor & Tecumseh Railway Company, dated September 2, 1907, to the National Trust Company, Limited, to secure bonds to the amount of $300,000 of which have been issued and are outstanding bonds to the amount of $180,000 which become due as to principal on September 2, 1927, and have attached thereto interest coupons at the rate of 5% per annum payable on the second days of March and September in each year during the currency of the bonds.

The liabilities as outlined above while constituting a lien upon the Railway properties, were not assumed by the Commission in connection with the purchase of the Railway as the Vendor agreed to pay the principal and interest of these bonds at maturity.

Pending payment of the foregoing bond issues on their respective maturities and for protection of the Commission against

any defaults in either principal or interest on the part of the Detroit United Railway in respect of these issues, bonds in the amount of $789,000.00 representing part of the purchase consideration have been retained as set forth in the next succeeding paragraph.

The purchase price of $2,039,000 was satisfied by the delivery of 40-year 4½% bonds, dated April 1, 1920, of the Hydro-Electric Power Commission of Ontario, guaranteed as to principal and interest by the Province of Ontario, to the Vendor and to the National Trust Company, Limited, of Toronto, as provided for in the following Sections of the Purchase Agreement:

"The Purchaser will, on the date for the completion of this agreement, deliver to the Vendor one million two hundred and fifty thousand dollars ($1,250,000.00) par value of the said Hydro-Electric bonds, and will deliver to said National Trust Company, Limited, of Toronto, seven hundred and eighty-nine thousand dollars (789,000.00) of the said bonds in escrow, to be delivered in whole or in part to the Vendor, upon the payment and retirement, either at maturity or prior thereto, from time to time, of the whole or any part of the said outstanding bond issues of the said companies aggregating seven hundred and eighty-nine thousand dollars ($789,000.00), on the basis of the same amount in par value of the bonds so delivered in escrow against the same amount of bonds so paid off and retired. The Purchaser will cause the interest coupons on the bonds so held in escrow to be delivered to the Vendor or its nominees as such coupons fall due, provided that the Vendor will mutually cause to be delivered to the Purchaser the interest coupons on the bonds of the said companies, duly paid and cancelled from time to time, as they fall due."

"The Vendor covenants with the Purchaser that the Vendor will pay and discharge the said mortgages mentioned in paragraph three hereof, and will pay and retire the principal of the said bonds of the companies, aggregating seven hundred and eighty-nine thousand dollars ($789,000), and all interest coupons thereon, and that the other liabilities of the companies or either of them, whether direct, indirect, contingent, accruing, or accrued, at the time of completion, shall be only those described in Schedule "B" hereof, which are to be adjusted to date of completion, and the Vendor covenants with the Purchaser that it will pay and settle all other liabilities not therein mentioned and indemnify the Purchaser from any claim in connection therewith."

Section 1-B of the Purchase Agreement covering the acquisition of the Railway properties by the Commission also

provided for the purchase of all materials and supplies on hand at the date of completion of the agreement belonging to either of the said Companies, and to be paid for by the Commission in cash at their then market values as determined by physical inventory. Further details in this connection are included herein under the heading of "Materials and Supplies".

Included among the assets acquired by the Commission was an Electric Lighting System in the City of Windsor and it was considered that no benefits accrued to the Municipal Corporations interested in the Railway from the operation of this Electric Lighting System, except the City of Windsor, which was desirous of acquiring the said Electric Lighting System at its appraised value of $180,000. A By-Law was passed on January 19, 1920, by the Municipal Council of the City of Windsor instructing that the Electric Lighting property be transferred to the Hydro-Electric Power Commission of the City of Windsor for its operation and management by the said Commissionunder the existing powers thereof and under any further powers that may by the said Corporation be conferred thereon and instructing that the purchase consideration of $180,000. be satisfied by delivering to the Hydro-Electric Power Commission of Ontario $190,000 of the City of Windsor Bonds bearing the rate of 4½% per annum and payable within forty years from the date thereof. The Electric Lighting property in the City of Windsor was thereupon transferred to Windsor Hydro Electric System on April 1, 1920 and the bonds as mentioned above were delivered to the Hydro-Electric Power Commission of Ontario.

AGREEMENT COVERING OPERATION OF RAILWAY

Attention is here directed to Exhibit V excerpts from agreement dated January 6, 1920 entered into by the Hydro-Electric

Power Commission and the municipalities interested in the railway which provided among other things as follows:

The Commission agrees:

1- To construct, equip and operate the railway

2- To issue bonds to cover the cost of constructing and equipping the said railway

3- To apportion annually the capital costs and operating expenses of all works, etc.

The Municipalities agree:

1- To bear the cost of constructing, equipping, operating, maintaining, repairing, renewing and insuring the railway and its property and works as established by the Commission.

2- To issue debentures as provided in the agreement and deposit them with the Commission as collateral security for the bonds issued by the Commission.

DESCRIPTION OF PROPERTY

The Engineers and Superintendent of the Railway have furnished us with the following information in respect of the properties acquired by the Commission and in respect of the changes made therein by the Commission since April 1, 1920.

The Railway properties acquired by the Commission consisted principally of the following:

Approximately 45 miles of track inclusive of double track, switches, etc.-

26 single truck closed passenger cars
20 double truck open passenger cars
1 single truck open " "
10 double truck closed " "
1 private car
3 single truck box cars
1 double truck baggage car equipped with motor
9 single truck flat cars
3 " " plow and construction cars
2 double " plow and construction cars
1 single " Line car

BUILDINGS:

Buildings in City of Windsor-

Office and Freight shed
Car House
Paint Shop
Repair shop, blacksmith shop
Carpenter shop, boiler room and
Engine room
Waiting room and section-man's house at Tecumseh

Waiting room and small freight sheds at Amherstburg

The properties acquired were found to be in very bad condition as will be seen by the following resume of changes in equipment, rehabilitation of the roadbed, etc., made by the Commission since April 1, 1920.

CHANGES IN ROLLING STOCK:

The following equipment has been scrapped and it is the opinion of the Superintendent of the Railway that it has little or no salvage value -

21 Open passenger cars
14 Closed " "
2 Box Cars
2 Flat cars

The remaining cars taken over by the Commission have been rebuilt or repaired and are now considered to be in good operating condition.

To replace the cars scrapped and provide new equipment, the Commission had, up to October 1, 1922, purchased the following rolling stock:

6 Second-hand double truck steel closed cars
6 Wooden trailers
17 One-man single truck safety cars
4 Trackless trolley busses

and in addition the following equipment has been ordered but has not been received up to the present time:

4 Double truck one-man safety cars
1 " " baggage car with motor equipment and trail car

CHANGES IN TRACK AND ROADBED -

The following streets have been double tracked -

London Street from Ouellette Avenue to Elm Avenue, with double track 3-part wye at the intersection of London and Ouellette Streets

Ouellette Avenue from Park to Pine Street-
The double track already built from London Street to Park Street was reconstructed.
The single track on Ouellette Avenue from Pine Street to Shepherd Avenue was reconstructed.

The wye at the Windsor Jockey Club was removed and combined with the loop constructed at Tecumseh Road

A single track 3-part wye was constructed at the intersection of Ouellette Avenue and Sandwich Street which together with a single track constructed from Sandwich along Ferry and Pitt Streets to Ouellette Avenue taking in a city block, forms a complete loop which permits all cars to pass the waiting room in Windsor without wyeing and backing as was formerly the case at Sandwich and Ouellette Streets.

Wyandotte Street was double tracked from Mercer Street to Moy Avenue involving a double track crossing with the Windsor, Essex and Lake Shore Railway on Aylmer Avenue and a double track turn-out was constructed off Ouellette Avenue. The old double track from Moy Avenue to the easterly limits of the City of Windsor was reconstructed.

Tecumseh Division-
A wye and storage track has been installed at the Ford Motor Plant in Ford City to provide transportation facilities for the Ford employees.

A new passing track has been built at Stop 20. The track on Strabane Avenue in Ford City was reconstructed from Sandwich to Ottawa Streets to conform with the changes in the width of the street.

The track on Ottawa Street in Ford City has been moved from the side to the centre and entirely rebuilt from Strabane Avenue to the easterly limits of Ford City.

The track has been, for the most part, re-tied from Ford City to Tecumseh and about 1½ miles of track were re-ballasted with crushed stone and given a 6" lift. In connection with this work an inter-change track was constructed near Ottawa Street and Strabane Avenue with the Grand Trunk Railroad to permit the movement of steam road cars on the Tecumseh Division. A curve at St. Clair Shores has been rebuilt to a larger radius to permit the movement of steam road rolling stock. The double track on Sandwich Street east from Gayeau Street, Windsor to Victoria Road, Walkerville, is being replaced by a single track with two passing tracks.

AMHERSTBURG DIVISION:

Interchange track was constructed on Main Street near Ojibway with the Essex Terminal Railway for the interchange of freight traffic. The track was re-ballasted, re-tied and given a 6" lift for a distance of 1½ miles south of Turkey Creek; the ties on the rest of the Amherstburg division were partially renewed.

The abutments carrying the old steel girder of the Cunard River bridge were reinforced and an additional steel girder installed to replace the timber structure.

BUS LINES:

Double trolley wires have been erected on Lincoln Road from Wyandotte Street to Tecumseh Road, a distance of 1.8 miles and from Ouellette Avenue along Erie Street, Langlois Avenue, Ottawa Street, Gladstone Avenue and Giles Boulevard back to Langlois Avenue a distance of 1.42 miles, for the purpose of operating the trackless trolleys.

POWER LIGHTING:

A new sub-station was built at Petrimoux Corners for supplying power to the Amherstburg Division to correct power conditions existing at the time the railway was taken over. A new converter has also been installed at the Sandwich Street sub-station. The railway has been rebonded and the overhead trolley wires repaired and sectionalized. New steel tubular poles were erected on Ouellette Avenue from London Street to Erie Avenue and on Wyandotte Street from Glengarry Avenue to the easterly city limits of Windsor which are used jointly for trolley, suspension wires and street lighting.

BUILDINGS:

The following changes have been made in the buildings: Seven new shelters have been erected at various stops on the railway and other shelters have been repaired.

The waiting rooms at Tecumseh and Amherstburg have been rehabilitated.

A larger waiting room has been rented at Sandwich and Ferry Streets with a ticket office, etc., to replace the old waiting room on Sandwich Street East. The storage building formerly used to store old cars has been equipped as a repair shop with modern equipment.

The portion of the old repair shop formerly used as a power station has been remodelled into a store-room, where the supplies and stores are now kept.

The steam heating plant formerly operated at 8 lbs. pressure has been converted into a low pressure plant with a considerable saving.

The property at the back of the car house has been purchased and storage track extensions made thereon.

DEPOSITS OF DEBENTURES BY MUNICIPALITIES:

In accordance with Section 11, of the Hydro-Electric Railway Act 1914, viz:

> "After the execution of the Agreement, the Corporation shall issue and deposit with the Commission debentures to the amount respectively proportioned as their respective shares of the cost of the construction and equipment of the Railway, and shall from time to time thereafter upon requisition in writing of the Commission issue and deposit with the Commission such further debentures as may be required for the construction, completion, extension or improvement of the Railway in the proportions fixed by the Agreement."

and under Section 20 of the Agreement entered into between the Hydro-Electric Power Commission of Ontario and the Municipalities

interested in the operation of the Railway, the following amounts of debentures were deposited with the Commission representing the interests of the respective Municipalities in the Railway:

Town of Sandwich East	$260,685
Town of Sandwich West	251,570
Windsor	746,132
Ford City	64,582
Walkerville	200,940
Sandwich	262,173
Amherstburg	126,587
Ojibway	44,515
Total	$1,956,464

In the original agreement the Municipal Corporation of the Township of Anderdon was included as a party to the agreement and the debentures which would have been deposited by this Municipality with the Commission amounted to $143,536. However, owing to the fact that the electors of this Municipal Corporation did not pass the necessary By-Law providing for Anderdon to become a party to the agreement and since the debentures to be deposited by the Municipality did not exceed ten per cent. of the total debentures as provided for in the agreement, it became necessary for the remaining Municipalities under authority as conferred by Section 12-1 of the Hydro-Electric Railway Act 1914, to make up this deficiency and accordingly further amounts were deposited by each of the Municipalities, as follows:

Township of Sandwich East	$ 19,125
Township of Sandwich West	18,456
Windsor	54,667
Ford City	4,738
Walkerville	14,742
Sandwich	19,234
Amherstburg	9,308
Ojibway	3,266
Total	$143,536

Section 11 of the Hydro-Electric Railway Act provides

that these debentures shall be held by the Commission as collateral security for the bonds issued by the Commission, and when any Corporation, party to this agreement, shall make default in any payment required to be made under this Act, or under the agreement, the Commission shall thereupon, sell or otherwise dispose of so much of the debentures of such Corporation as shall be necessary to supply such deficiency.

In addition to the debentures deposited by the Municipalities at the date of acquisition of the railway by the Commission, as shown above, in the amounts of $1,956,464 and $143,536 making together $2,100,000, the Municipalities deposited further debentures in the amount of $900,000, as shown below, with the Hydro-Electric Power Commission on July 1, 1921, to be held by the Commission as collateral security for the $900,000 of 6 per cent. 40 year bonds issued by it for the purpose of providing funds for extensions, rehabilitations and betterments to the Railway System. The amounts deposited by each of the municipalities were as follows:

Township of Sandwich West	$ 63,000
" " Sandwich East	24,800
Tecumseh	4,400
Riverside	12,800
Windsor	457,500
Ford City	22,000
Walkerville	141,500
Sandwich	173,000
Amherstburg	35,000
Ojibway	8,000
Total	$ 900,000

OPERATION OF COMPANIES BY THE COMMISSION:

Mr. G. T. Clarkson, in his audit report on the accounts of the Hydro-Electric Power Commission for the fiscal year ending October 31, 1921, outlines the conditions relating to the management of these Companies as follows:

"In the operation of the undertakings of the Sandwich, Windsor & Amherstburg Railway and the Windsor & Tecumseh Electric Railway Company, the entities of such corporations have been maintained subject to direction of their affairs by Boards of Directors elected with the approval of the Hydro-Electric Power Commission of Ontario, owners of the whole of the capital stock of both of such Companies. On October 31st, 1921, the Board of Directors of the Sandwich, Windsor & Amherstburg Railway consisted of -

Sir Adam Beck	President
Hon. I. B. Lucas	Vice-President
Hon. D. Carmichael	Director
Mr. W. W. Pope	Director and Secretary
Mr. F. A. Gaby	Director
Mr. J. W. Gilmour	Director and Treasurer
Mr. W. G. Pierdon	Director
Mr. E. A. Hugill	Director and Asst. Secretary.

while the Directors and Officers of the Windsor & Tecumseh Electric Railway Company were -

Sir Adam Beck	President
Hon. I. B. Lucas	Vice-President
Hon. D. Carmichael	Director
Mr. W. W. Pope	Director and Secretary
Mr. F. A. Gaby	Director
Mr. J. W. Gilmour	Director and Treasurer
Mr. W. G. Pierdon	Director

all of whom are commissioners or employees of the Hydro-Electric Power Commission of Ontario. No remuneration is paid to the Directors of the Companies for their services as such but charged in the operating expenses of the Railway Companies is a proportionate amount of the administrative expenses of the Commission. All operating expenses of the Railway Companies are paid by the Commission, while revenue from freight and passenger traffic is received direct by the Railway Companies and handed over to the Commission for deposit with the funds of the Commission.

The whole tenor of the Hydro-Electric Railway Act is to the effect that the Hydro-Electric Power Commission of Ontario shall possess direct title to and ownership of all railways acquired and operated by it under the terms of the Act and no provisions are included in the Act which permit of the acquisition or purchase by the Commission of shares of a railway company. In the purchase of the Sandwich, Windsor & Amherstburg Railway and of the Windsor & Tecumseh Electric Railway Company, the Commission did acquire direct title to all the assets of such railway companies but at the same time, as provided by the agreement of purchase approved by the Legislature, it also acquired the whole of the shares of the capital stock of such companies. With control of such shares the Commission is enabled to operate the railways, through the medium of the companies which own them, a course not contemplated by the Hydro-Electric Railway Act, but one which the Commission has been compelled to follow by

reason of the fact that in 1920 bonds issued by the Railway Companies to the amount of $789,000 were outstanding, while on October 31, 1921, $679,000 of such bonds still remained outstanding and unpaid. So far as can be seen no difficulties have yet arisen in the course adopted, but there is no certainty that complications may not ensue if a course not contemplated by the Hydro-Electric Railway Act be followed, when such Act forms the basis of the authority granted to the Commission, whereby it is empowered to operate electric railways. Accordingly it would appear to be advisable that just as soon as the $679,000 of outstanding bonds of the Railway Companies be liquidated and paid, the Sandwich, Windsor & Amherstburg Railway and the Windsor and Tecumseh Electric Railway Company shall cease to operate as separate entities directed by Boards of Directors and that direct control be assumed by the Commission over the properties and assets without the intervention of such companies."

CHANGES IN FINANCIAL POSITION

On April 1, 1920 the Hydro-Electric Power Commission issued $2,100,000.00 of 4½% forty year bonds of which $2,039,000.00 as previously stated were used in payment of the purchase price of the railway, leaving in the Commission's possession $61,000.00 of the bonds. As of the same date the Commission received $190,000.00 forty year 4½% bonds issued by the City of Windsor in payment for the electric lighting system purchased by it.

The above bonds in the amounts of $61,000 and $190,000 were pledged with the Bank of Montreal under the respective dates of April 23rd and May 5th. 1920 as collateral security for a demand loan of $200,000.00.

On July 1, 1921, the Commission issued $900,000.00 of its 6% forty year bonds for the purpose of providing funds for the extensions, rehabilitations and improvements of the railway, and on Oct. 18, 1921, $440,000.00 of these bonds were pledged with the Bank of Montreal as collateral for a loan of $400,000.00, leaving in the Commission's possession at October 31, 1921, $460,000.00 of these bonds.

The following shows the disposition of the money advanced

to the railway by the Commission as obtained from the above sources:

Funds realized and made available through-

Cash advanced by Commission on loans obtained from Bank of Montreal as above		$600,000.00
Increase in Reserves		47,202.88
Total		$647,202.88

Disposition of Funds:-

Net increase in capital assets		514,953.18
Increase in Working Capital, etc.		
Cash in Bank	$ 6,241.12	
Accrued Interest receivable	712.50	
Accounts receivable	2,794.04	
Detroit United Railways	10,762.50	
Hydro-Electric Power Commission current account	24,691.23	
Materials and spare parts	60,286.25	
Deferred charges to future operations	28,445.30	
	$133,932.94	
Less- Increase in current and accrued liabilities	35,241.32	98,691.62
Additional working capital representing amounts due by Municipalities being the excess of operating costs over revenue from April 1, 1920 to October 31, 1921		33,558.08
Total		647,202.88

Since October 31, 1921, the total issue of the $600,000.00 6% forty year bonds has been sold as follows:

Date	Amount Sold	Price	Funds Realized
Jan.20, 1922	$ 525,000.00	$107.65	$565,162.50
Oct. 31,1922	375,000.00	108.03	408,862.50
	900,000.00		974,025.00

The loan with the Bank of Montreal in the amount of $200,000.00 still remains as a liability while the loan of $400,000.00 as of October 31, 1921 was reduced to $300,000. on January 20, 1922 and the balance was paid on October 31, 1922.

Having outlined in the foregoing the history, organization and description of properties, we will now turn to matters relating to the accounts, which will be discussed under two main headings, namely, Balance Sheet and Results of Operations.

BALANCE SHEET

We have prepared and attach hereto Exhibit I, a statement showing the consolidated balance sheets of the two Companies at April 1, 1920 and at the end of each of the fiscal years ending October 31, 1920 and 1921.

CAPITAL ASSETS - $2,054,792.76:

As previously stated, the Sandwich, Windsor and Amherstburg Railway and its subsidiary, the Windsor and Tecumseh Electric Railway was purchased by the Hydro-Electric Power Commission of Ontario for $2,039,000.00, of which amount $190,000.00 represented the appraised value of an electric light system sold to the City of Windsor, leaving as the cost of the Railway Properties, $1,849,000.00.

The appraisal of the Railway Properties by the Engineers of the Hydro-Electric Power Commission determined the value of the physical properties including the electric lighting system in the City of Windsor to be $1,639,088.45, and the balance of $401,911.05, going to make up the total purchase price, was considered by them as the value of the intangibles acquired in connection with the purchase of the Railway Property. It might be well, however, to point out that the $401,911.05 shown in the appraisal as intangibles is more than offset by the difference between the cash value and the par value of the $2,039,000 bonds issued in payment for the railway properties. The following is a summary of the appraisal by the Engineers:

Property	Present Value
Ways and Structures	$1,229,229.01
Equipment	206,968.79
Spare Equipment	10,200.65
Total Railway Properties	$1,447,098.45
Power and Light System in the City of Windsor	190,000.00
	1,637,098.45
Intangibles	401,911.55
Purchase Price of Property	$2,039,000.00

The changes in the capital assets during the period from April 1, 1920 to October 31, 1921 resulting in a net increase of $514,953.18 are as follows:

Book value at the date of purchase of the roadbed, tracks and overhead lines, rolling stock, buildings, real estate and other plant and equipment of the Sandwich, Windsor & Amherstburg Railway, together with the electric power and light distribution system in the City of Windsor	$1,529,398.29	
Book value at the date of purchase of the roadbed, overhead lines, right-of-way and buildings of the Windsor and Tecumseh Electric Railway Company, less $100,000 of capital stock which appears to have no value and for which a corresponding amount appears to have been included in the property account	200,441.29	
Book value of properties as at April 1, 1920		$1,729,839.58
Less - The Electric Power and Light Distribution System sold to the City of Windsor at the sale price of		190,000.00
Book value April 1, 1920 - Carried Forward		$1,539,839.58

Brought Forward			1,539,839.58
Add - Capital Expenditures made by the Commission between April 1 and October 31, 1920			
Sandwich, Windsor & Amherstburg Railway:			
6 passenger cars and trailers	$132,760.50		
Rehabilitation of all cars	34,476.82		
Improvements to car barns	14,073.03		
Improvements to track of roadbed	3,919.59		
Double tracking London St.	42,989.31		
New Tools and fare boxes	7,010.08		
Office furniture	751.25	235,980.56	
Less - old cars and equipment sold	755.15		
Spare parts and equipment transferred to stores	10,290.65	11,045.80	224,934.76
Windsor & Tecumseh Electric Railway Company Extensions and improvements to roadbed			2,677.54
Balance October 31, 1920			1,767,451.88
Add - Capital expenditures made by the Commission in the year ending October 31, 1921			
New one-man Safety Cars on account		300.12	
Six new cars and trailers, balance of expenditure		14,990.14	
Rehabilitation of old cars		65,511.53	
Improvements to car barns		11,088.42	
Improvements to track and roadbed		28,343.52	
Double tracking London Street		99,018.07	
Constructing ferry loop, double-tracking Wyandotte Street and Ouelette Avenue and reconstructing tracks on Sandwich Street, Wyandotte Street and Ouelette Avenue		55,782.17	
Preliminary engineering re proposed new beltline and other alterations to the System		7,610.35	
Shop and Track Tools and furniture		5,836.76	
		288,480.88	
Less - Materials sold		1,140.00	287,340.88
Balance October 31, 1921			$2,054,792.76

In respect of the book values as shown above, Mr. G.T.Clarkson, F.C.A. in his audit report on the accounts of the Hydro-Electric Power Commission for the fiscal year ending October 31, 1921, states as follows:

> "Information is not available in the records of the Companies permitting determination as to what amount stood included in the book values of the assets at the date of purchase as the cost or values of franchises, rights and goodwill."

The Capital Stock of the Windsor and Tecumseh Electric Railway Company, Limited, was purchased by the Sandwich, Windsor & Amherstburg Railway for the consideration of $10,000.00 and in respect of this investment the latter created a reserve of the same amount of $10,000.00. Since no value is, therefore, attached to the investment the par value of the Capital Stock of the former Company $100,000.00 has been deducted from the capital assets in the consolidated Balance Sheet reducing the book value at October 31, 1921 to $2,054,792.76.

The capital expenditures during the period from November 1, 1921 to September 30, 1922 amounted to $478,715.38 and are summarized as follows:

Particulars	Amount
Ways and Structures	$ 265,737.23
Equipment for old cars, etc.	9,592.04
17 New One-man Safety Cars	153,987.95
4 Trackless Trolley Buses	41,934.33
Power Equipment	7,443.83
Total	$ 478,715.38

CASH IN BANK - $6,241.12:

This balance of cash was on deposit with the bank of Montreal to the credit of the railway at October 31, 1921. A certificate was obtained by the Accountant of the Hydro-Electric Power Commission confirming the above balance at that date, and this certificate was, we are informed, exhibited to Messrs. Clarkson,Gordon &

Milworth in connection with their audit of the accounts.

INVESTMENTS - $190,712.50:

The above amount consisted of the following at October 31, 1921:

$190,000.00 face value 4½% bonds of the City of Windsor maturing on April 1, 1960	$190,000.00
Accrued interest receivable on the above bonds	712.50
Total	$190,712.50

The bonds as above were received in payment for the power and light distribution system sold to the City of Windsor which formed a part of the assets of the Sandwich, Windsor and Amherstburg Railway acquired by the Commission under the terms of the purchase agreement dated January 14,1920.

As mentioned heretofore, these bonds were,at October 31, 1921, pledged with the Bank of Montreal as collateral in connection with a demand loan of $200,000.00.

ACCOUNTS RECEIVABLE - $2,794.04:

All of the individual accounts going to make up the above balance have been paid since October 31, 1921.

DETROIT UNITED RAILWAY - $10,762.50:

This balance offset by a corresponding amount represents interest accrued at October 31, 1921 on the $679,000.00 mortgage bonds of the Railway still outstanding and unpaid, which the Detroit United Railway agreed to pay, but which the Hydro-Electric Power Commission would be obligated to pay should the Detroit United Railway fail to make such payment. However, as security for the payment of the

interest and principal on these bonds, the Commission has deposited with the National Trust Company, Limited of Toronto, $679,000.00 of its bonds.

DUE BY MUNICIPALITIES - $33,558.08:

As provided in Sections 9 and 10 of the Hydro-Electric Railway Act of 1914, the balance as above, representing the loss from operation of the Railway from April 1, 1920 to October 31, 1921, has been charged back to the municipalities interested in the Railway in proportion to the debentures deposited with the Hydro-Electric Power Commission by each of the municipalities. The amount charged against each municipality is as follows:

City of Windsor		$12,780.81
Town of Walkerville		3,446.60
Town of Sandwich		4,496.90
Town of Ambrosburg		2,176.06
Town of Ford City		1,107.74
Town of Ojibway		783.54
Town of Riverside	$1,207.28	
Town of Tecumseh	491.85	
Town of Sandwich East	2,772.25	4,471.38
Town of Sandwich West		4,315.03
Total		$33,558.08

It might be well to point out that the above amounts have not been paid up to the present time.

HYDRO-ELECTRIC POWER COMMISSION CURRENT ACCOUNT - $34,091.83:

The balance as above consists of moneys belonging to the Railway on deposit with the Hydro-Electric Power Commission. As in the case of the Central Ontario System, the Commission has possession of the moneys of the Railway and acts as disbursing agent for it.

MATERIALS AND SUPPLIES - $60,286.25:

As provided in the purchase agreement covering the acquisition of the Railway, the inventories of materials and supplies on hand at the date the Railway was taken over by the Commission were purchased for $17,101.22, payment therefor being made in cash.

The inventory at October 31, 1921, in the amount of $60,286.25 as above, was ascertained by physical stocktaking and valued at cost, adequate allowances being made for any obsolete or unusable stock, and a certificate was furnished by the Superintendent of the Railways stating that the valuations, attached to the items included in the inventories, were fair and reasonable.

We have been informed that Messrs. Clarkson, Gordon & Dilworth, in connection with their audit of the accounts, made such tests as were necessary to assure them that the inventories were clerically accurate and that the basis of valuation was fair.

DEFERRED DEBITS - $28,445.30:

This balance comprises the following items chargeable to future operations:

Valuation and other expenses re purchase of Railways	$13,913.75
Stationery, tickets and other supplies	5,498.63
Deferred maintenance chargeable to future operations	5,621.28
Unexpired insurance	3,411.64
Total	$28,445.30

Valuation and other expenses in connection with the purchase of the Railway consisting of engineering, accounting and legal expenses together with the cost of printing bonds issued by the Commission and debentures issued by the municipalities, amounted to $17,392.19, which is being written off at the rate of 10% per annum. In the year

ending October 31, 1920, $1,576.10 was charged against operations, and in the year ending October 31, 1921, $1,902.34 was similarly treated, making the total amount written off $3,478.44 or 20% of the total expenditure, leaving a balance at October 31, 1921 of $13,913.75.

A physical inventory of stationery, tickets and other supplies was taken at October 31, 1921 and included in deferred debits at the then valuation of $5,498.63.

The deferred maintenance represents one-half of the cost of ties installed during the 1921 season deferred over the last half of the twelve months to equalize the charges for each year. This procedure is followed as ties are only installed during the summer season and the Railway Engineers consider it unfair to burden operations with the full cost of the work in the months in which it is done.

The unexpired insurance represents prepaid premium chargeable against future operations.

CAPITAL STOCK AND GENERAL RESERVES - $940,839.58:

This balance consists of:

2970 shares of $100.00 each of Capital Stock of the Sandwich Windsor and Amherstburg Railway	$297,000.00
General Reserves as at date of purchase of the Railways by the Hydro-Electric Power Commission	643,839.58
	$940,839.58

As previously mentioned, the capital stock of the Windsor and Tecumseh Electric Railway Company in the amount of $100,000.00 has been deducted from the capital assets in the attached balance sheet.

The 2970 shares as above of the Sandwich, Windsor and Amherstburg Railway are in the names of the following, the shares held by individuals being qualifying shares:

Name	No. of Shares
Hydro-Electric Power Commission	2962
I. B. Lucas	1
Lt. Col. Sir Adam Beck, Kt. L.L.B.	1
Lt. Col. D. Carmichael D.S.O. M.C.	1
J.W. Gilmour	1
W.W. Pope	1
F.A. Ouby	1
W.G. Fleardon	1
H.A. Magill	1
Total Shares	2970

FIRST MORTGAGE GOLD BONDS - $679,000.00:

The above amount comprises the following:

Sandwich, Windsor and Amherstburg 4½% bonds due December 1, 1922 face value	$600,000	
Less - Bonds redeemed in 1921 by Vendors	110,000	$490,000
Windsor and Tecumseh Electric Railway Company 5% bonds due September 2, 1927 face value		189,000
Total outstanding at October 31, 1921		$679,000

As stated previously, the Sandwich, Windsor and Amherstburg Railway gave the National Trust Company, Limited a Trust Mortgage under date of December 1, 1902 in the amount of $600,000, constituting a direct lien upon the railway properties. On Septemnt 2, 1907, the Windsor and Tecumseh Electric Railway Company gave the National Trust Company a similar trust mortgage in the amount of $189,000 which constituted a direct lien upon properties of the Windsor and Tecumseh Electric Railway.

The railway properties were acquired by the Commission subject to the above mortgages. However, the Detroit United Railway agreed to pay the principal and interest of the above bonds, and as security for the payment of these bonds the Commission delivered $789,000 of its bonds (forming a part of the total of $2,059,000 issued in payment of the purchase price of the railway properties) to

the National Trust Company with the understanding that when the bonds of the Sandwich, Windsor and Amherstburg Railway and the bonds of the Windsor and Tecumseh Railway shall have been paid in whole or in part by the Detroit United Railway that the bonds deposited by the Commission shall be delivered to the Detroit United Railway in amounts corresponding to the amount of bonds paid by it.

During the fiscal year ending October 31, 1921, the Detroit United Railway redeemed $110,000 of the outstanding bonds of the Sandwich, Windsor and Amherstburg Railway and upon delivery of these cancelled bonds to the National Trust Company, Limited, it received $110,000 of the Hydro-Electric Power Commission bonds as mentioned above. So on October 31, 1921, the National Trust Company, Limited held $679,000 of the Commission's bonds as security for the payment of $490,000 of bonds of the Sandwich, Windsor and Amherstburg Railway and $189,000 of bonds of the Windsor and Tecumseh Electric Railway.

LOANS OBTAINED BY THE HYDRO ELECTRIC POWER COMMISSION OF ONTARIO FOR THE RAILWAY - $600,000

This balance represents moneys borrowed from the Bank of Montreal for the requirements of the railway. We have commented on these loans heretofore under the heading of "Changes in Financial Position" and it is therefore unnecessary to make further remarks thereon at this time.

BONDS REDEEMED IN 1921 BY VENDORS $110,000:

This balance represents the $110,000 of the bonds of the Sandwich, Windsor and Amherstburg Railway redeemed by the Detroit United Railway during 1921 for which as previously mentioned the Detroit United Railway received $110,000 of the Hydro-Electric Power Commission bonds.

ACCOUNTS PAYABLE AND ACCRUED EXPENSES - $23,478.82:

The above amount consists of accounts payable and accrued charges as follows:

Accrued taxes	$ 6,059.97
Insurance payable	11,734.07
Unpaid power bills	5,684.78
Total	$23,478.82

The above amounts have been paid with the exception of certain amounts accrued for taxes payable for which, we have been informed, no bills have as yet been presented to the Commission.

The Accountant of the Commission has certified that all liabilities, affecting the operation of the railway for the fiscal year ending October 31, 1921, were included in the accounts as of that date.

LIABILITY FOR UNREDEEMED TICKETS - $1,000.00:

This amount provided at October 31, 1921 was considered adequate to meet any liability in respect of railway tickets in the hands of the public. In this connection we are of the opinion that the accounts would be placed on a sounder basis if the revenue was based on tickets collected rather than is now the case on tickets sold with the result that at the end of each operating period, the amount of tickets in the hands of the public must be estimated and a liability included in the accounts therefor on the basis of the estimate.

INTEREST ACCRUED - $10,762.50:

As previously stated, the above amount offset by an equal amount due from the Detroit United Railway represents the interest accrued on the $679,000 outstanding bonds of the railway at October 31, 1921, which as agreed was paid by the Detroit United Railway, but which the Commission would have been obligated to pay, had the Detroit United

Railway defaulted.

SANDWICH, WINDSOR AND AMHERSTBURG RAILWAY
AND ITS SUBSIDIARY
THE WINDSOR AND TECUMSEH ELECTRIC RAILWAY COMPANY

RESERVE FOR RENEWALS:

The balance in the Reserve for Renewals of the Sandwich, Windsor and Amherstburg Railway and its subsidiary, The Windsor and Tecumseh Electric Railway Company amounted at October 31, 1921 to $47,202.38 provided as follows:

Provision for 7 months ending October 31, 1920	$16,060.50
Provision for fiscal year ending October 31, 1921	30,491.64
Interest at 4% per annum on balance in the account at October 31, 1920	642.74
Balance at October 31, 1921	$47,202.38

Additions to the Reserve Account are based upon an appraisal made by the Engineering Department of the Commission as of the date of acquisition on April 1, 1920. A summary of properties at depreciated or sound values showing the estimated amount of intangible values included in the purchase price, is as follows:

Way and Structures		$1,229,329.01
Equipment	$206,968.79	
Spare Equipment	10,290.65	217,259.44
Total Tangible Properties		$1,447,088.45
Intangible Values		401,911.15
Together		$1,849,000.00
Add- Proceeds from sale of Power and Light Plant to City of Windsor		190,000.00
Together being Purchase Price		$2,039,000.00

Exhibit II attached hereto shows the computation of the provision for the period of seven months from April 1, 1920 to October 31, 1920 and the basis for the rate of 3.5% (sinking fund basis of 4%) used in the calculation of the provision for the fiscal year ending October 31, 1921. By reference to the above mentioned exhibit it will be observed that the following items have been eliminated from the appraisal for purpose of the computation:

1- Grading, Ballast, Ties and Paving which are repaired and renewed by current maintenance

2- Right-of-way and other lands

3- Engineering in connection with the original construction of the road

The amount of the provision of $16,068.50 for the seven months ending October 31, 1920 applies to the acquired properties only, no reserve having been provided for additions during that period until the fiscal year ending October 31, 1921. The amount provided in respect of renewals in the latter year was $30,491.64, monthly charges into operating costs having been made. Additions to the properties in each month have been taken into consideration eliminating, however, such items as right-of-way grading, paving, etc. previously referred to. No renewals have been set up on rehabilitated passenger cars or reconstructed tracks until actually put into service.

The amount of $642.74 representing interest at the rate of 4% per annum on the balance in the Account at October 31,1920 has been added to the Reserve at October 31,1921.

RESULTS OF OPERATIONS

The operations of the Railway for the period from April 1,1920 to October 31,1921 resulted in a loss of $33,558.08, which amount, as previously stated, has been charged back to the municipalities interested in the Railway. We have appended hereto Exhibit III supported by Exhibits IIIa and IIIb showing the details of revenue, operating expenses and fixed charges and the resulting profit or loss sustained in each of the operating periods as follows:

Period	Profit or Loss
For the seven months ending October 31,1920	$22,078.29
For the fiscal year ending October 31,1921	55,636.37
Net loss for period	$33,558.08

It will be noted by reference to Exhibit III that the greater part of the revenue is obtained from passenger traffic. The fares charged from April 1,1920 were a cash fare of five cents or a ticket fare of six tickets for twenty-five cents, with children's fares of a three cent cash fare, or a ticket fare of sixty tickets for one dollar and fifty cents. On July 1,1921, a straight five cent fare was put into effect, children's fares remaining unchanged. These fares continued in effect until November 1,1922 when the cash fare was increased from five cents to six cents and a ticket fare of twenty tickets for one dollar or six tickets for thirty-five cents became effective with no change in children's fares.

Power required inthe operation of the railway is furnished by the Windsor Hydro-Electric System on a cost basis .

No provision for sinking fund for the retirement of the bonds issued by the Commission has been included in the cost of operation as under the terms of the agreement covering the operation of the Railway, provision for sinking funds is not required to be made until the expiration of ten years from April 1,1920.

We have prepared and attach hereto Exhibit IV, an Operating Account of the Railway for the eleven months ending September 30,1922, showing the revenue, operating expenses , fixed charges, passengers carried, revenue car miles, revenue per car mile, and operating expenses per car mile by months. It will be noted by reference to this Exhibit that the operations of the Railway resulted in a loss of $12,884.27 for the period from November 1,1921 to September 30,1922, before setting aside any provision for renewals. It will also be noted by reference to this Exhibit that the operations have shown a material improvement during the period, and beginning with June a profit was made before, of course, providing for renewals, which increased considerably during July and August but declined somewhat in September. We have been informed by the Engineer in charge of Railway Operations that this condition is attributable to a large extent to the operation of one man safety cars. It will also be noted by reference to this Exhibit that the operating expenses per car mile have declined from 32.5 cents at the beginning of the period to 25.2 cents at the end of the period.

The following is a comparison of revenue and operating expenses per car mile for the fiscal year ending October 31,1921, and for the eleven months ending September 30,1922:

	Fiscal Year Ending October 31, 1921	Eleven Months Ending September 30, 1922
Revenue per car mile	38.10 cents	37.84 cents
Operating expenses per car mile	32.39 "	30.27 "

The decline in revenue per car mile is attributable to the increased number of car miles operated, and not to a decline inthe amount of revenue while the reduction in operating expenses per car mile is due to a large extent to the operation of one man safety cars, and to the improved condition of the railway resulting from the new equipment purchased and to the betterment of the road-bed. The increase in number of car miles operated also has the effect of reducing the operating cost per car mile.

Up to February 1, 1921, the revenue of the railway was based upon tickets collected. However, at this date, the accounting plan was changed so that the revenue was taken up on the basis of tickets sold. We understand this change was made to relieve the operations of the railway with the expenses incurred in counting the tickets. On July 1, 1921, the fare was changed from six tickets for twenty-five cents to a straight five cent fare with a considerable reduction inthe number of tickets sold as the cash and ticket fares were of the same value. In view of this change in fare, it was thought that a reserve of $1,000.00 would be adequate to provide for the redemption of all outstanding tickets at October 31, 1921. The balance of $5,520.02, remaining in the unredeemed ticket account constituting in effect a reserve for tickets in the hands of the public, was reduced to $1,000.00 by transferring $4,520.02 to revenue for the fiscal year ending October 31,1921.

The Hydro-Electric Power Commission passed the following Minute under date of December 13,1922, authorizing that all renewals

provided up to October 31,1922 in respect of the Sandwich, Windsor and Amherstburg Railway be cancelled, viz:

> "The Chief Engineer submitted a report on the rehabilitation of the Sandwich, Windsor and Amherstburg Railway and the Guelph Radial Railway, together with his recommendation as to the advisability of charging depreciation during the period of reconstruction and rehabilitation on these roads, and after consideration the Board approved of the deferring of the depreciation charges until rehabilitation had been completed, which was estimated as of November 1,1922. It was further instructed that no depreciation charges be set aside during the periods of rehabilitation of any of the roads which may hereafter be acquired by the Commission".

The Accountant of the Commission has accordingly prepared an entry to adjust the books of the Sandwich, Windsor & Amherstburg Railway as of October 31,1921 reversing the renewal reserve of $47,202.88 accumulated to that date and cancelling the amount due by municipalities representing the excess of operating cost over revenue for the period from April 1,1920 to October 31,1921 in the amount of $33,558.08 and transferring the difference of $13,644.80 to surplus.

As a result of this adjustment the loss of $33,558.08 from the operations of the railways from April 1,1920 to October 31,1921 as shown in the accounts of the Commission at the latter date will be revised so as to show a surplus of $13,644.80 before of course, providing for renewals.

The following is a comparison of the results of operations of the railway as shown on Exhibit III attached hereto, after providing for renewals, and as shown by the books of the Commission after cancelling the renewal provision -

Period	Profit or loss Exhibit III	Cancellation of Renewal Provisions	Profit or loss as adjusted
For the seven months ending October 31,1920	$22,078.29	$16,068.50	$38,146.79
For the Fiscal Year ending October 31,1921	$11,636.37	31,134.38	$24,501.99
Together	$33,558.08	$47,202.88	$13,644.80

Providing the operating expenses of the period under review have not been burdened with extraordinary or deferred maintenance charges, and they do not appear to have been - this policy does not appear to be sound or in keeping with the general practice of the Commission in making renewal provisions even though the agreement covering the operation of the Railway does not obligate the Commission to make renewal provisions.

Yours very truly,

Rice Watkins & Co.

THE HYDRO - ELECTRIC POWER COMMISSION OF ONTARIO

SANDWICH, WINDSOR & AMHERSTBURG RAILWAY AND SUBSIDIARY, THE WINDSOR & TECUMSEH ELECTRIC RAILWAY COMPANY

COMPARATIVE CONSOLIDATED BALANCE SHEETS

ASSETS	April 1 1920	October 31 1920	October 31 1921
ROAD AND EQUIPMENT RIGHTS, PROPERTIES AND FRANCHISES:			
Sandwich, Windsor & Amherstburg Railway	$1,339,398.29	$1,564,353.05	$1,843,195.90
Windsor & Tecumseh Electric Railway Company (Net)	200,441.29	203,118.83	211,596.86
	$1,539,839.58	$1,767,451.88	$2,054,792.76
CURRENT AND PRODUCING ASSETS:			
Cash in Bank		$ 5,857.28	$ 6,241.12
City of Windsor 4½% Bonds- 1960 (including accrued Interest)	$ 190,000.00	194,987.50	190,712.50
Accounts Receivable		1,712.05	2,794.04
Detroit United Railway		12,825.00	10,762.50
Due by Municipalities (excess of operating cost over revenue from April 1, 1920 to October 31,1921)			33,558.06
Hydro-Electric Power Commission of Ontario- Current Account			24,691.23
Materials and spare Equipment		56,917.02	60,286.25
	$ 190,000.00	$ 272,298.85	$ 329,045.72
DEFERRED DEBITS:			
Valuation and other Expenses re purchase of Railways		$ 14,184.94	$ 15,913.75
Stationery, Tickets and other Supplies		1,641.91	5,498.63
Deferred Maintenance chargeable to future operations		2,507.10	5,621.28
Unexpired Insurance		2,800.24	3,411.64
		$ 21,134.19	$ 28,445.30
	$1,729,839.58	$2,060,884.92	$2,412,283.78

LIABILITIES	April 1 1920	October 31 1920	October 31 1921
CAPITAL STOCK AND GENERAL RESERVES:			
Sandwich, Windsor & Amherstburg Railway - 2970 shares of par value $100.00 each	$ 297,000.00	$ 297,000.00	$ 297,000.00
General Reserves as at date of purchase of the Railways by the Hydro-Electric Power Commission of Ontario	643,839.58	643,839.58	643,839.58
	$ 940,839.58	$ 940,839.58	$ 940,839.58
FIRST MORTGAGE GOLD BONDS:			
Sandwich, Windsor & Amherstburg- 4½% due December 1, 1962	$ 600,000.00	$ 600,000.00	$ 490,000.00
Windsor & Tecumseh Electric Railway Company- 5% due September 2, 1927	189,000.00	189,000.00	189,000.00
	$ 789,000.00	$ 789,000.00	$ 679,000.00
HYDRO-ELECTRIC POWER COMMISSION OF ONTARIO			
Cash Advances		$ 200,000.00	$ 600,000.00
Bonds redeemed in 1921 by Vendors			110,000.00
		$ 200,000.00	$ 710,000.00
CURRENT AND ACCRUED LIABILITIES:			
Accounts Payable and Accrued Expenses		$ 58,572.69	$ 23 478.82
Hydro-Electric Power Commission of Ontario- Current Account		16,500.96	
Liability for Unredeemed Tickets		5,000.00	1,000.00
Interest Accrued		12,825.00	10,762.50
		$ 92,898.55	$ 35,241.32
RESERVE FOR RENEWAL OF ROAD AND EQUIPMENT SURPLUS		$ 18,068.50 22,078.29	$ 47,202.88
	$1,729,839.58	$2,060,884.92	$2,412,283.78

NOTES:

(a) The cash advances of $600,000, made by the Hydro-Electric Power Commission of Ontario to the Sandwich, Windsor & Amherstburg Railway, represent advances of like amount by the Bank of Montreal to the Commission in respect of which the following were pledged as security as at October 31,1921-

$190,000 City of Windsor 4½% Bonds (included above under the caption of Current Assets)

61,000 40 year 4½% Debentures of the Commission (part of the authorized issue of $2,100,000, of which $2,039,000 represents the purchase price of these railways)

440,000 40 year 6% Debentures of the Commission (part of the authorized issue of $900,000 providing for the capital cost of extensions, etc. of these railways)

(b) Debentures of the Commission of $679,000, being part of the purchase consideration of $2,039,000, were, at October 31, 1921, held in escrow to be delivered to the Vendors of these railways, upon payment and delivery by them of the two bond issues outstanding, aggregating $679,000 as stated in the above balance sheet.

(c) The Electric Power and Light Distribution System, sold under date of April 1,1920, to the City of Windsor for $190,000,is still subject to the First Mortgage above, of $490,000.

SANDUSKY WINDSOR AND ANNOTTSVILLE RAILWAY
AND ITS SUBSIDIARY
THE WINDSOR AND TECUMSEH ELECTRIC RAILWAY COMPANY

STATEMENT SHOWING BASIS OF ANNUAL RATE OF 3.3%
FOR RESERVE FOR RENEWALS

Particulars	Estimated Life (In years)	Value as Appraised	Annual Provision on Sinking Fund Basis of 4%
WAYS AND STRUCTURES			
Rails and Fastenings (Interurban)	30	$138,717.	$ 2,474.
Rails and Fastenings (City)	20	100,038.	3,339.
Special Work (Intersections)	15	43,146.	2,196.
Track and Roadway Labor (Interurban)	30	31,801.	567.
Track and Roadway Labor (City)	20	27,537.	614.
Bridges, Trestles and Culverts	40	30,743.	418.
Crossings, Fences, etc.	15	61,705.	1,068.
Poles and Fixtures	15	67,300.	3,392.
Distribution System	8	68,100.	7,260.
Shops and Car Houses	30	74,604.	1,332.
Buildings	30	9,615.	171.
Together	-	$628,150.	$23,231.
EQUIPMENT (at 2%)	-	217,260.	4,345.
Sundry Adjustments, etc.	-	106	30
Together	-	$839,304.	$27,546.
NON DEPRECIABLE AND OTHER PROPERTIES			
Right-of-Way		34,824.	
Other Lands		31,025.	
Grading		62,338.	
Ballast		221,317.	
Ties		88,554.	
Paving		138,717.	
Engineering		73,928.	
Total Tangible Properties acquired as per Appraisal		$1,847,008	

The ratio of $27,546. to $839,304. is 3.28%

Provision for 7 months ending October 31,1920 - 7/12 of $27,546.- $16,072.50

HYDRO - ELECTRIC POWER COMMISSION OF ONTARIO

SANDWICH, WINDSOR & AMHERSTBURG RAILWAY
AND
WINDSOR AND TECUMSEH ELECTRIC RAILWAY COMPANY

OPERATING ACCOUNT

Particulars	7 Months ending October 31 1920	Year ending October 31 1921	Together
REVENUE:			
Passenger	$291,743.21	$486,627.92	$778,371.13
Mail	1,117.33	4,935.76	6,053.09
Freight	7,126.89	9,883.36	17,010.25
Miscellaneous	2,426.54	3,879.80	6,306.34
Total Revenue	$302,413.97	$505,326.84	$807,740.81
EXPENSES:			
Maintenance of Way and Structures (as per Statement attached)	$ 23,174.91	$ 40,981.74	$ 64,156.65
Maintenance of Equipment (as per statement attached)	28,058.52	71,083.82	99,142.34
Power Purchased	27,600.03	51,158.13	78,758.16
Conducting Transportation Expenses (as per statement attached)	98,960.25	196,987.55	295,947.80
General and Miscellaneous Expenses (as per statement attached)	31,022.95	64,817.11	95,840.06
Taxes	3,888.33	4,503.02	8,391.35
Total Expenses	$212,704.99	$429,531.37	$642,236.36
Balance	$ 89,708.98	$ 75,795.47	$165,504.45
ADD- Interest received from City of Windsor Bonds	4,987.50	8,550.00	13,537.50
Profit before deducting Fixed Charges, etc.	$ 94,696.48	$ 84,345.47	$179,041.95
FIXED CHARGES:			
Provision for Renewals of Road and Equipment	$ 16,068.50	$ 30,491.64	$ 46,560.14
Interest on Debentures of the Hydro-Electric Power Commission of Ontario of the par value of $2,039,000 issued to cover the purchase price of the Plant, Assets and Capital Stock of the Railways	53,523.75	91,755.00	145,278.75
Interest on advances less Interest charged to Construction, etc.	1,449.84	15,832.86	17,282.70
Total Fixed Charges	$ 71,042.09	$138,079.50	$209,121.59
	$ 23,654.39	$ 53,734.03	$ 30,079.64
DEDUCT:			
Amount written off valuation and other Expenses re purchase of the Railways by the Hydro-Electric Power Commission of Ontario	1,576.10	1,902.34	3,478.44
Surplus or Deficit before distribution to Municipalities	$ 22,078.29	$ 55,636.37	$ 33,558.08

SANDWICH, WINDSOR & AMHERSTBURG RAILWAY
AND
WINDSOR AND TECUMSEH ELECTRIC RAILWAY COMPANY

MAINTENANCE OF WAY AND STRUCTURES AND OF EQUIPMENT

(Subsidiary to Operating Account)

Particulars	Seven Months ending October 31 1920	Year ending October 31 1921	Together
MAINTENANCE OF WAY AND STRUCTURES:			
Superintendence of Ways and Structures	$ 1,367.42	$ 2,072.97	$ 3,440.39
Ballast	1.00	-	1.00
Ties	2,507.11	5,540.71	8,047.82
Rail Fastenings and Joints	322.09	696.27	1,018.36
Special Work	5.85	220.35	226.20
Roadway and Track Labor	12,591.09	21,262.45	33,853.54
Miscellaneous Railway and Track Expenses	93.30	539.98	633.28
Paving	627.12	1,958.59	2,585.71
Cleaning and Sanding Track	-	124.29	124.29
Removal of Snow, Ice and Sand	-	124.99	124.99
Bridges, Trestles and Culverts	362.69	339.01	701.70
Crossings, Fences, Cattle Guards and Signs	124.36	154.03	278.39
Signal and Interlocking Systems	98.02	350.86	448.88
Telephone and Telegraph Systems	-	71.22	71.22
Other Miscellaneous Way Expenses	-	6.47	6.47
Poles and Fixtures	2,489.81	3,659.91	6,149.72
Distribution System	2,172.64	3,388.17	5,560.81
Miscellaneous Electric Line Expenses	-	24.65	24.65
Buildings and Structures	412.41	446.82	859.23
Total	$23,174.91	$40,981.74	$64,156.65
MAINTENANCE OF EQUIPMENT:			
Superintendence of Equipment	$ 1,658.34	$ 3,000.00	$ 4,658.34
Passenger and Combination Cars	10,961.39	28,287.77	39,249.16
Freight, Express and Mail Cars	158.92	271.60	430.52
Service Cars	7.29	.10	7.39
Electric Equipment of Cars	13,630.99	28,146.62	41,777.61
Shop Machinery and Tools	1,054.72	1,472.28	2,527.00
Shop Expenses	156.01	9,431.91	9,587.92
Horses and Vehicles	430.86	453.78	884.64
Other Miscellaneous Equipment Expenses	-	19.76	19.76
Total	$28,058.52	$71,083.82	$99,142.34

SANDWICH, WINDSOR & AMHERSTBURG RAILWAY
AND
WINDSOR AND TECUMSEH ELECTRIC RAILWAY COMPANY

CONDUCTING TRANSPORTATION EXPENSES AND
GENERAL AND MISCELLANEOUS EXPENSES

(Subsidiary to Operating Account)

Particulars	Seven Months ending October 31 1920	Year ending October 31 1921	Together
CONDUCTING TRANSPORTATION EXPENSES			
Superintendence of Transportation	$ 4,197.95	$ 7,253.95	$11,449.90
Passenger Conductors, Motormen and Trainmen	84,120.83	161,188.91	245,309.74
Freight and Express Conductors, Motormen, Trainmen	1,597.28	2,480.72	4,078.00
Miscellaneous Car Service Employees	2,822.74	-	2,822.74
Miscellaneous Car Service Expenses	1,644.73	5,452.86	7,097.59
Station Employees	2,560.25	3,630.00	6,190.25
Station Expenses	373.75	3,949.83	4,323.58
Carhouse Employees	1,492.09	12,680.30	14,172.39
Carhouse Expenses	35.46	114.70	150.16
Operation of Telephone and Telegraph Systems	22.60	1.00	23.60
Loss and Damage	26.57	120.33	146.90
Other Transportation Expenses	-	112.95	112.95
Total	$ 98,960.25	$196,987.55	$295,947.80
GENERAL AND MISCELLANEOUS EXPENSES:			
Advertising	$ 24.22	$ 171.60	$ 195.82
Miscellaneous Traffic Expenses	-	162.75	162.75
Salaries and Expenses of General Officers	4,857.01	6,427.62	11,284.63
Salaries and Expenses of General Office Clerks	6,400.30	11,581.12	17,981.42
General Office Supplies and Expenses	1,609.69	1,479.13	3,088.82
Law Expenses	-	100.00	100.00
Miscellaneous General Expenses	248.92	1,262.20	1,511.12
Head Office Expense	2,810.29	9,974.44	12,784.73
Injuries and Damages	4.25	9.56	13.81
Insurance	14,495.52	26,482.37	40,977.89
Stationery and Printing	3,450.92	6,148.31	9,599.23
Store Expenses	2,068.11	361.01	[illegible]
Stable Expenses	278.94	452.20	731.14
Total	$ 31,022.95	$ 64,817.11	$ 95,840.06

SANDWICH, WINDSOR & AMHERSTBURG RAILWAY

OPERATING ACCOUNT

FOR THE ELEVEN MONTHS ENDING SEPTEMBER 30,1922

Particulars	November	December	January	February	March	April	May	June	July	August	September	Total
REVENUE	38,233.60	42,419.13	42,926.86	40,158.72	45,479.07	45,476.87	47,572.90	47,591.42	54,816.03	54,643.40	49,386.78	508,704.78
OPERATING EXPENSES AND TAXES												
Maintenance												
Ways and Structures	3,698.42	4,829.49	4,250.36	3,348.35	2,996.51	2,384.68	5,345.29	3,103.00	3,972.23	1,348.37	1,309.95	37,086.65
Equipment	4,155.84	5,035.34	5,459.39	5,751.71	5,538.77	4,056.07	5,710.53	6,080.59	5,617.07	6,535.58	5,478.66	59,419.55
Power	4,042.47	4,330.89	4,300.00	4,323.26	4,350.00	4,398.93	3,945.62	3,919.80	4,081.14	4,054.93	4,151.14	45,898.18
Transportation	16,910.38	17,727.19	18,352.89	16,846.42	18,542.96	17,613.09	18,261.86	18,255.42	19,295.23	19,328.40	17,613.11	198,726.95
General and Misc.	5,167.71	5,817.00	5,704.84	6,266.60	5,708.36	6,103.23	5,769.86	5,209.62	5,807.67	5,871.55	5,409.24	62,835.68
Taxes	276.13	276.13	280.00	280.00	280.00	280.00	280.00	280.00	280.00	280.00	280.00	3,072.26
Total Operating Expenses and Taxes	34,250.95	38,016.04	38,347.48	36,816.34	37,416.60	35,336.00	39,313.16	36,828.43	39,053.34	37,418.83	34,242.10	407,039.27
Balance	3,982.65	4,403.09	4,579.38	3,342.38	8,062.47	10,140.87	8,259.74	10,762.99	15,762.69	17,224.57	15,144.68	101,665.51
FIXED CHARGES:												
Interest	9,223.25	9,290.59	10,709.72	10,837.40	10,702.76	10,392.05	10,312.58	10,291.54	10,552.49	10,939.91	11,297.49	114,549.78
Profit or Loss before providing for renewals	5,240.60	4,887.50	6,130.34	7,495.02	2,640.29	251.18	2,052.84	471.45	5,210.20	6,284.66	3,847.19	12,884.27
REVENUE PASSENGERS	685,870.	768,061.	780,604.	730,582.	824,590.	825,662.	849,089.	833,385.	907,586.	902,274.	821,620.	
TRANSFER PASSENGERS	109,146.	100,310.	95,649	90,827.	105,619.	104,520.	111,368.	105,636.	105,947.	115,581.	110,337.	
Revenue Car Miles	106,843.	113,513	118,612.	108,439.	120,339.	115,994.	125,888.	125,189.	133,503.	139,998.	135,852.	1344,170.
Revenue per car mile	35.78¢	37.36¢	36.19¢	37.03¢	37.39¢	39.20¢	37.79¢	38.01¢	41.06¢	39.03¢	36.35¢	37.84¢
Operating expenses per car mile	32.05¢	33.49¢	32.33¢	33.95¢	31.09¢	30.46¢	31.22¢	29.41¢	29.25¢	26.72¢	25.20¢	30.27¢

Exhibit V.

SANDWICH WINDSOR AND AMHERSTBURG RAILWAY
AND THE
WINDSOR AND TECUMSEH ELECTRIC RAILWAY
COMPANY

EXCERPTS FROM AGREEMENT DATED JANUARY 1st, 1920, ENTERED INTO BETWEEN THE HYDRO-ELECTRIC POWER COMMISSION OF ONTARIO AND THE MUNICIPAL CORPORATIONS OF THE TOWNSHIP OF SANDWICH EAST, THE TOWNSHIP OF SANDWICH WEST, THE TOWNSHIP OF ANDREDON, THE TOWN OF FORD CITY, THE TOWN OF WALKERVILLE, THE TOWN OF SANDWICH, THE TOWN OF OJIBWAY, THE TOWN OF AMHERSTBURG, AND THE CITY OF WINDSOR.

Whereas pursuant to The Hydro-Electric Railway Act 1914, and amendments thereto the Commission was requested to enquire into, examine, investigate and report upon the cost of construction and operation of an electric railway or railways to be constructed through certain districts in which the corporations are situated, together with the probable revenue that would result from the operation of such railway or railways;

And whereas the Commission has furnished the corporations with such a report showing (1) the total estimated cost, operating revenue and expenses of the railway or railways, and (2) the proportion of the capital cost to be borne by each of the corporations as set forth in schedule "B" attached hereto;

And whereas on receipt of the said report the corporations requested the Commission to construct, equip and operate a system of electric railways (hereinafter called the railway) over the routes laid down in schedule "A" attached hereto, upon the terms and conditions and in the manner herein set forth;

And whereas the Commission has agreed with the corporations on behalf of the corporations to construct, equip and operate the railway upon the terms and conditions and in the manner herein set forth; but upon the express conditions that the Commission shall not

in any way be liable by reason of any error or omission in any estimates, plans or specifications for any financial or other obligation or loss whatsoever by virtue of this agreement or arising out of the performance of the terms thereof;

And whereas the electors of each of the corporations have assented to by-laws authorizing the corporations to enter into this agreement with the Commission for the construction, equipment and operation of therailway as laid down in the said schedules, subject to the following terms and conditions;

And whereas the corporations have each issued debentures for the amounts set forth in schedule "B" attached hereto, and have deposited the said debentures with the Commission:

Now therefore this indenture witnesseth:-

1. In consideration of the premises and of the agreements of the corporations herein contained, and subject to the provisions of the said Act and amendments thereto, the Commission agrees with the corporations respectively;

(a) To construct, equip and operate the railway through the districts in which the corporations are situate on behalf of the corporations;

(b) To construct and operate the railway over the routes laid down in schedule "A";

(c) To issue bonds, as provided in paragraph 3 of this agreement, to cover the cost of constructing and equipping the railway;

(d) To furnish as far as possible first-class modern and standard equipment for use on the railway, to operate this equipment so as to give the best service and accommodation possible, having regard to the district served, the type of construction and equipment adopted and all other equitable conditions, and to exercise all due skill and diligence so as to secure the most

effective operation and service of the railway consistent with good management;

(e) To regulate and fix the fares and rates of toll to be collected by the railway for all classes of service;

(f) To utilize the routes and property of the railway for all purposes from which it is possible to obtain a profit;

(g) To combine the property and works of the railway and the power lines of the Commission where such combination is feasible and may prove economical to both the railway and the users of the power lines;

(h) To permit and obtain interchange of traffic with other railways wherever possible and profitable;

(i) to supply electrical power or energy for operation of the railway at rates consistent with those charged to municipal corporations;

(j) To apportion annually the capital costs and operating expenses of all works, apparatus and plant used by the railway in common with the Commission's transmission lines in a fair manner, having regard to the service furnished by the expenditure under consideration;

(k) To apply the revenue derived from operation of the railway and any other revenue derived from the undertaking to the payment of operating expenses (including electrical power), the cost of administration and annual charges for interest and sinking fund on the money invested, and such other deductions as are herein provided for;

(l) To set aside from any revenue thereafter remaining an annual sum for the renewal of any works belonging in whole or in part to the undertaking;

(m) To pay over annually to the corporation, if deemed advisable by the Commission in the interest of the undertaking, any surplus that may remain after providing for the items above

mentioned. The division of such surplus between the corporations to be fixed by the Commission on an equitable basis, having regard in the case of each corporation to the capital invested, the service rendered, the comparative benefits derived, and all other like conditions;

(n) To take active steps for the purpose of constructing, equipping and operating the railway at the earliest possible date after the execution of this agreement by the corporations and the deposit of the debentures as called for under clause 2b hereof and to commence operation of each section as soon as possible after its completion;

(o) To make such extensions to the railway described in schedule "A" as may appear advantageous and profitable from time to time.

Provided always that as part of any line of railway to be constructed and operated by the Commission, the Commission may purchase, lease or obtain running rights over any steam railway, electrical railway or street railway or any part thereof and that wherever the words "construction", "constructed", "construct", or "constructing" occur in this agreement they shall be interpreted as including "acquisition", "acquired", "acquire" or "acquiring".

2. In consideration of the premises and of the agreements herein set forth, each of the corporations for itself, and not one for the other, agrees with the Commission:

(a) To bear its share of the cost of constructing, equipping, operating, maintaining, repairing, renewing and insuring the railway and its property and works as established by the Commission, subject to adjustments and apportionment between the corporations by the Commission from time to time;

(b) To issue debentures for the amounts set forth in schedule "B" maturing in fifty years from the date of issue thereof, and

bearing interest at a rate of not less than per centum per annum, payable half yearly at the Bank, at Toronto, Ontario. Such debentures shall be deposited with the Commission previous to the issuing of the bonds mentioned above, and may be held or disposed of from time to time by the Commission as provided for in clause 4 hereof, in such amounts, at such rates of discount or premium, and on such terms and conditions as the Commission in its sole discretion shall deem to be in the interest of the railway, the proceeds of such debentures being used solely for the purposes herein contained. The amount of debentures of each corporation sold or disposed of from time to time shall be such proportion as may be fixed by the Commission of the total amount of debentures, due regard being given to the capital invested, the service rendered, the comparative revenue derived and all other equitable conditions;

(c). To make no agreement or arrangement with, and to grant no bonus, license or other inducement to any other railway or transportation company without the written consent of the Commission;

(d) To keep, observe and perform the covenants, provisoes and conditions set forth in this agreement intended to be kept and observed and performed by the corporations, and to execute such further or other documents and to pass such by-laws as may be requested by the Commission for the purpose of fully effectuating the objects and intent of this agreement;

(e) To furnish a free right of way for the railway and for the power lines of the Commission over any property of the corporations upon being so requested by the Commission, and to execute such conveyance thereof or agreement with regard thereto as may be desired by the Commission.

3. It shall be lawful and the Commission is hereby authorized to create or cause to be created an issue of bonds, and to sell or

dispose of the same on behalf of the corporations. Such bonds to be charged upon and secured by the railway, and all the assets, rights, privileges, revenues, works, property and effects belonging thereto or held or used in connection with the railway constructed, acquired, operated and maintained by the Commission under this agreement, and to be for the total amounts mentioned in schedule "B" hereto attached; provided that the Commission may, upon obtaining the consent as herein defined of the majority of the corporations, increase the said bond issue by any amount necessary to cover the capital cost of extending the railway, and may also without such consent increase the said bond issue to cover the cost of additional works or equipment of any kind for use on the railway to an extent not exceeding ten per cent (10%) of the bonds issued from time to time. In order to meet and pay such bonds and interest as the same becomes due and payable the Commission shall in each year after the expiration of ten years from the date of the issue of the bonds out of the revenue of the railway after payments of operating expenses (including electrical power) and the cost of administration set aside a sufficient sum to provide a sinking fund for the purpose of redeeming the same at maturity. Debentures issued by the corporations in complaince with clause 2b hereof, shall, to the extent of the par value of any bonds outstanding from time to time, be held or disposed of by the Commission in trust for the holders of such bonds as collateral security for payment thereof, it being understood and agreed that in the event of any increase of the said bond issue each corporation shall, upon the request of the Commission, deposit with the Commission additional debentures as described in clause 2b hereof, to be held or disposed of by the Commission as collateral security for such increase in the said bond issue, and that any debenture

held by the Commission in excess of the par value of the outstanding bonds from time to time may be held or disposed of by the Commission to secure payment of any deficit arising from the operation of the railway.

4. In the event of the revenue derived from the operation of the undertaking being insufficient in any year to meet the operating expenses (including electrical power), the cost of administration and the annual charges for interest and sinking fund on the bonds, and for the renewal of any works belonging in whole or in part to the railway, such deficit shall be paid to the Commission by the corporations upon demand of and in the proportion adjusted by the Commission. In the event of the failure of any corporation to pay its share of such a deficit as adjusted by the Commission, it shall be lawful for the Commission in the manner provided in clause 2b to dispose of debentures held by the Commission as security for any such deficit. Any arrears by any corporation shall bear interest at the legal rate.

5. Should any corporation fail to perform any of the obligations to the Commission under this agreement, the Commission may, in addition to all other remedies and without notice, discontinue the service of the railway to such corporation in default until the said obligation has been fulfilled, and no such discontinuance of service shall relieve the corporation in default from the performance of the covenants, provisoes and conditions herein contained.

6. In case the Commission shallat any time or times be prevented from operating the railway or any part thereof by strike, lockout, riot, fire, invasion, explosion, act of God, or the King's enemies, or any other cause reasonably beyond its control, then the Commission shall not be bound to operate the railway or such part thereof

during such time; but the corporations shall not be relieved from any liability or payment under this agreement, and as soon as the cause of such interruption is removed the Commission shall, without any delay, continue full operation of the railway, and each of the corporations shall be prompt and diligent in doing everything in its power to remove and overcome any such cause or causes of interruption.

7. It shall be lawful for, and the corporations hereby authorize the Commission to unite the business of the railway with that of any other railway system operated in whole or in part by the Commission, and to exchange equipment and operators from one system to the other, proper provision being made so that each system shall pay its proportionate share of the cost of any equipment used in common.

8. If at any time any other municipal corporation applies to the Commission for an extension of the railway into its municipality the Commission shall notify the applicant and the corporations, in writing, of a time and place to hear all representations that may be made as to the terms and conditions relating to such proposed extension. If, on the recommendation of the Commission, such extension shall be authorized, without discrimination in favour of the applicant, as to the cost incurred or to be incurred for or by reason of any such extension, the Commission may extend the railway upon such terms and conditions as may appear equitable to the Commission.

No such application for an extension of the railway into any municipality the corporation of which is not a party to this agreement shall be granted if it is estimated by the Commission that the cost of service of the railway to the corporations parties hereto will be thereby increased or the revenue and accommodation be injuriously affected without the written consent of the majority of the

corporations parties hereto.

9. The consent of any corporation required under this agreement shall mean the consent of the council of such corporations, such consent being in the form of a municipal by-law duly passed by the council of the corporation.

10. The Commission shall, at least annually, adjust and apportion between the corporations the cost of construction, equipment, operation, interest, sinking fund, and also the cost of renewing the property of the railway.

11. Every railway and all the works, property and effects held and used in connection therewith, constructed, acquired, operated and maintained by the Commission under this agreement and the said Act shall be vested in the Commission on behalf of the corporations; but the Commission shall be entitled to a lien upon the same for all money expended by the Commission under this agreement and not repaid.

12. Each of the corporations covenants and agrees with the other:

(a) To carry out the agreements and provisions herein contained;

(b) To co-operate by all means in its power at all times with the Commission to create the most favourable conditions for the carrying out of the objects of the agreement and of the said Act, and to increase the revenue of the railway and ensure its success.

13. In the event of any difference between the corporations the Commission may, upon application, fix a time and place to hear all representations that may be made by the parties, and the Commission shall adjust such differences and such adjustments shall be final.

The Commission shall have all the powers that may be conferred upon a Commissioner appointed under The Act Respecting Enquiries Concerning Public Matters.

14. This agreement shall continue and extend for a period of fifty years from the date hereof, and at the expiration thereof be subject to renewal, with the consent of the corporations from time to time for like periods of fifty years, subject to adjustment and reapportionment as herein provided for the purposes of this agreement as though the terms hereof had not expired. At the expiration of this agreement the Commission shall determine and adjust the rights of the corporations, having regard to the amounts paid or assumed by them respectively under the terms of this agreement, and such other considerations as may appear equitable to the Commission and are approved by the Lieutenant-Governor in Council.

15. It is understood and agreed that the rates imposed for the share of the cost to be borne by those municipalities listed in schedule "C" attached hereto, shall be imposed upon the rateable property set forth respectively in the said schedule.

16. This agreement shall not come into effect until it has been sanctioned by the Lieutenant-Governor in Council.

In witness whereof the Commission and the corporations have respectively affixed their corporate seals and the hands of their proper officers.

SCHEDULE "B"

Name of Municipal Corporation.	Total amount of debentures to be issued by respective municipalities for deposit with the Commission under clause 2b.
Township of Sandwich East	$260,685
Township of Sandwich West	251,570
Township of Anderdon	143,536
Town of Ford City	64,582
Town of Walkerville	200,940
Town of Sandwich	262,173
Town of Ojibway	44,515
Town of Amherstburg	126,867
City of Windsor	745,132
Total amount of bonds to be issued mentioned in Clause 3	$2,100,000